

**Fiscal Committee Report
Medical Assistance Program (Medicaid)
FY 2006**

		FY 2006
<u>Medicaid Revenues</u>		
General Fund		\$ 560,845,731
Healthy Iowans Tobacco Trust		35,327,368
Senior Living Trust Fund		99,660,490
Hospital Trust Fund		-
Property Tax Relief (codified)		6,600,000
Risk Pool		2,000,000
Total Revenues		\$ 704,433,589

Medicaid Expenditures	July	August	September	October	November	December	January	February	March	April	May	June	June + 60	Year To Date	Appropriation FY 2006
Actual Expenditures:															
Nursing Facilities	-	\$ 11,009,007	\$ 13,319,587	\$ 13,040,276										\$ 37,368,870	184,672,351 ¹
Hospital Inpatient/Outpatient	3,680,021	7,094,418	13,640,968	13,847,754										38,263,161	112,619,063 ¹
Physicians	1,062,302	2,284,869	6,189,508	5,518,051										15,054,730	55,818,468 ¹
Pharmaceuticals	4,387,988	6,474,621	13,844,588	13,861,192										38,568,389	162,821,699 ¹
Less: Drug Rebates	-	-	-	-										-	(33,556,744) ¹
Other Services	7,187,853	13,887,233	19,502,840	20,001,702										60,579,628	252,354,040 ¹
Less: Recoveries	(2,948)	(427,768)	(694,105)	(706,180)										(1,831,001)	(30,295,286) ¹
Total Expenditures	\$ 16,315,216	\$ 40,322,380	\$ 65,803,386	\$ 65,562,795	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 188,003,777	\$ 704,433,589 ²

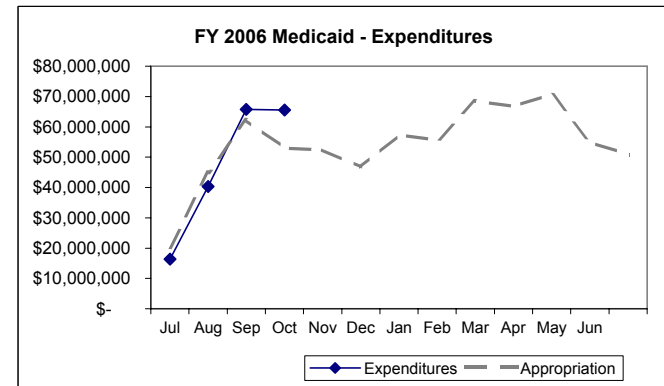
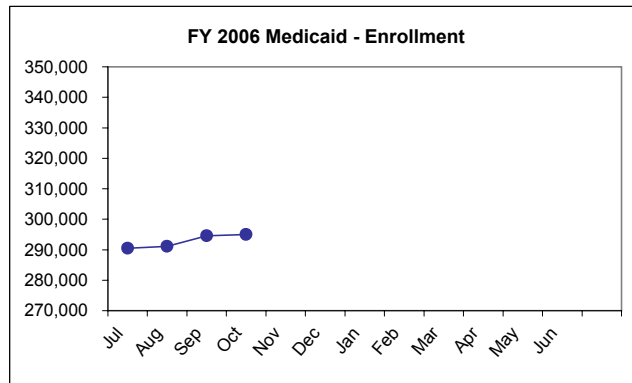
Projected Expenditures

¹ Prorated FY 2006 appropriation based on the proportion of expenditures in each category year-to-date.

² Totals may not add due to rounding.

Monthly Enrollment and Expenditure Data

	Enrollment	Expenditures	Appropriation ¹
July	290,428	\$ 16,315,216	\$ 20,308,495
August	291,151	40,322,380	44,934,085
September	294,540	65,803,386	62,306,121
October	295,020	65,562,795	52,942,086
November			52,321,480
December			46,787,449
January			57,411,012
February			55,513,973
March			68,529,792
April			66,728,555
May			70,760,733
June			55,026,505
June + 60 days		50,863,302	
Total Expenditures		\$ 188,003,777	\$ 704,433,589



¹ Prorated FY 2006 appropriation based on the average proportion of expenditures in each month for FY 2002 through FY 2004.

MEDICAID FORECAST FOR FY 2006 AND FY 2007

Medicaid Estimates

Staff members from the Department of Management, the Department of Human Services (DHS), and the Fiscal Services Division of the Legislative Services Agency (LSA) met on November 18 to discuss estimated Medical Assistance (Medicaid) expenditures for FY 2006 and FY 2007. The three staffs meet monthly to discuss estimated expenditures and to agree on a range for expenditures for the current fiscal year.

FY 2006

House File 825 (FY 2006 Health and Human Services Appropriations Act), as amended by HF 882 (FY 2006 Standings Appropriations Act) and HF 841 (IowaCare Medicaid Reform Act), includes total State funding of \$704.4 million for Medicaid for FY 2006. It was discussed during the 2005 Legislative Session that this level of funding is not likely sufficient to fully fund Medicaid and a shortfall is anticipated. The three staffs agreed to an estimated shortfall range of \$39.0 to \$54.0 million for FY 2006. The estimate is the same as the one issued in October.

The shortfall estimate includes the following assumptions:

- Enrollment growth of 3.5% to 4.0%. The FY 2006 appropriation is based on a 3.5% enrollment growth. This difference results in increased expenditures of between \$0.0 and \$15.0 million. Enrollment growth was 5.8% for FY 2005. The implementation in the IowaCare Program may increase enrollment into the Medicaid Program.
- An estimated net cost of \$12.9 million due to provision included in HF 841 (IowaCare Medicaid Reform Act).
- A shortage of \$6.4 million due to the FY 2005 supplemental not being fully incorporated into the FY 2006 appropriation.
- Items where savings were assumed but the corresponding statutory changes were eliminated totaled \$3.1 million, including \$1.0 million for "Pay and Chase", \$101,000 for a technical adjustment, and \$2.0 million for a reduction in HF 882.
- Funds to pay for a settlement pending with the federal Centers for Medicare and Medicaid Services (CMS) related to financial audits of the Adult Rehabilitation Option (ARO) service providers. The CMS report included findings against the State and providers of approximately \$6.2 million, which is required to be repaid to the federal government.
- \$8.0 million to pay for an anticipated federal Medicare Part D Drug Benefit woodwork effect that are greater than earlier anticipated. This expense will occur in only the second half of FY 2006 since the Part D Benefit does not begin until January 2006.
- Funds to pay for a small amount of FY 2005 claims not processed before August 26, 2005 that will be paid from the FY 2006 appropriation.
- An estimated \$6.5 million to fulfill the 3% provider increase to nursing facilities. Payments to the nursing facilities do not include any inflationary increases.
- A payment of approximately \$3.3 million to the Iowa Veterans' Home. Due to enacted federal legislation effective November, 2004, per diems can no longer be counted toward an individual veteran's contribution. The State is expected to make up this difference for FY 2006 and 8 months of FY 2005.

- During the FY 2005 Legislative Session, the exact amount of Iowa's Clawback payment for Medicare Part D was not known, so an estimate was used. The actual payment is expected to be about \$4.3 million more than the estimate.
- \$5.7 million will be needed to fund Medicare buy-in for eight months of FY 2006. Premium rates for Medicare Parts A and B have both been increased for FY 2006.

FY 2007

For FY 2007, the three staffs agreed to an estimated need of between \$100.0 and \$140.0 additional need compared to the \$704.4 million FY 2006 appropriation.

The increase for FY 2007 includes the following assumptions

- An enrollment increase of between 3.0% and 4.5%, resulting in an estimated \$20.4 to \$32.8 million in additional costs.
- \$39.0 to \$54.0 million for the FY 2006 supplemental appropriation.
- \$1.9 million to annualize the increased cost of Medicare buy-in resulting from the increase in Medicare premiums.
- \$8.0 million to annualize the cost of the Medicare Part D woodwork effect.
- An estimated 1% medical inflation rate will result in an estimated \$8.0 million in additional costs.
- In FY 2007, the Federal Medical Assistance Percentage (FMAP) will decrease from 63.61% to 61.98%, resulting in an estimated \$13.4 million in an additional cost to the State.

Waiver Waiting Lists

House File 825 included an increase of \$6.0 million to eliminate the Home and Community-Based Services Waiver waiting lists. Since the Waivers are not considered an entitlement, typically this would be delayed due to the shortfall in Medicaid. Legislative intent, however, was clear that this funding be allocated to waiting lists despite the known supplemental need.

The DHS has initiated the process for providing waiver services for those who have been on the waiting list. In January 2005, it was estimated that \$6.0 million was needed to eliminate the waiting lists as of that time. Since the waiting lists may have increased, or costs may have changed, the \$6.0 million may not fully eliminate waiting lists. In addition, the intent was not that waiting lists be eliminated in total going forward. The \$6.0 million will be used to add as many as possible, then as new people become eligible, they will be added to the waiting list.

Other Issues

The federal action anticipated as a result of the enacted multi-year budget has not been adopted, although reductions in federal payments for nontraditional Medicaid services, such as Adult Rehabilitative Option (ARO) and Rehabilitative Treatment Support Services (RTSS) for FFY 2006 are possibilities.

The Legislature funded only \$2.0 million of the \$3.0 million that was appropriated to Broadlawns to finance IowaCare in FY 2006. Legislation will be required in the upcoming Session to change the amount of the appropriation from the Health Care Transformation Account.

A provision included in HF 841 requires the Medical Assistance Projections and Assessment Council (MAPAC) to issue an official estimate for the FY 2007 Medical Assistance budget. The three staffs are working together on a presentation for the January MAPAC meeting in order to assist Legislators in making an estimate.

More Information

Additional information is available from the LSA upon request.

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